

State of Washington  
**Department of Labor and Industries**  
**2006 Supplemental Decision Package**

<b>Decision Package Code/Title</b>	<b>91</b>	<b>Industrial Insurance for Apprentices</b>
<b>Budget Period</b>	<b>2005-07</b>	<b>2006 Supplemental Budget</b>
<b>Budget Level</b>	<b>M2</b>	<b>Maintenance Level</b>

**Recommendation Summary Text**

Labor and Industries has a statutory obligation to pay the industrial insurance premiums for apprentices during their classroom training time. During Fiscal Year 2005, modifications were made to the apprenticeship program's Apprenticeship Registration Tracking System (ARTS) that allowed the department to better monitor apprentice classroom time and allowed apprenticeship training programs to more accurately report classroom hours. As a result, the annual premiums Labor and Industries is required to pay increased 30 percent above Fiscal Year 2004 levels. The department is seeking \$98,000 appropriation to pay for Fiscal Year 2006 and Fiscal Year 2007 unanticipated premium costs.

**Fiscal Detail:**

	<b>FY 2006</b>	<b>FY 2007</b>	<b>TOTAL</b>
<b>Staffing (B6):</b>			
608-1 Accident Fund-State	0.0	0.0	0.0
609-1 Medical Aid Fund-State	0.0	0.0	0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>FY 2006</b>	<b>FY 2007</b>	<b>TOTAL</b>
<b>Operating Expenditures:</b>			
608-1 Accident Fund-State	42,000	42,000	84,000
609-1 Medical Aid Fund-State	7,000	7,000	14,000
<b>TOTAL Expenditures</b>	<b>49,000</b>	<b>49,000</b>	<b>98,000</b>
	<b>FY 2006</b>	<b>FY 2007</b>	<b>TOTAL</b>
<b>Revenue (B9):</b>			
Fund/Major Group/Source	0	0	0
<b>TOTAL Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Package Description:**

The Apprenticeship Program has approximately 13,000 apprentices who participate in 300 different apprenticeship training programs annually. These apprentices earn on average \$45,798 per year, and have the highest rate of employment after leaving training as compared to other workforce training models.

L&I has a statutory obligation, RCW 51.12.130, to pay the industrial insurance premiums for apprentices during their classroom training time (known as related supplemental instruction or RSI).

As with all work classifications the industrial insurance premiums are based on the number of hours reported by apprentices and the industrial insurance premium rate. During Fiscal Year 2005, modifications were made to the L&I's Apprenticeship Registration Tracking System (ARTS) that allowed apprenticeship programs to more accurately report their classroom training time. This in turn, gave L&I a better tool to monitor apprentice's class room time. Before the ARTS systems was modified, the number of RSI hours for all apprentices were submitted and tracked manually.

Because of the manual process there was no effective mechanism for linking programs to apprentices and their RSI hours. The hours were essentially a reasonable estimate. Now that the computer system has been modified the number of hours are more accurately processed and reported. The new system allows L&I:

- Verify every apprentice submitted the appropriate number of hours.
- Verify someone was enrolled in an apprenticeship program.
- Ensure the number of apprentice hours was not calculated multiple times.
- Ensure the number of hours were truly representative of each apprentice.

Since ARTS is calculating the number of classroom training time for apprentices more accurately there has been a 30 percent increase in industrial insurance premiums due. This equates to an additional \$49,000 the program needs in order to pay for these unanticipated premium costs. The program does not have additional funds to pay for the increased premium costs.

If the funding is not provided, the apprenticeship program will be required to reduce staffing levels by one FTE to offset these increased costs. The current 14.0 FTEs promote and develop new apprenticeship programs, perform compliance reviews on state and federal standards for new and existing programs, coordinate and promote pre-apprenticeship opportunities, collaborate with other workforce training entities to secure federal grant funding, and support the apprenticeship programs statewide on behalf of the Washington State Apprenticeship and Training Council.

This reduction would be inconsistent with the Governor's apprenticeship utilization legislation which passed in the 2005 Session.

#### **Historical Premiums Paid Compared To Allotments**

<b>Fiscal Year</b>	<b>Premiums Paid</b>	<b>Budgeted Amount</b>	<b>Difference Between Paid Premiums and Budgeted Amount</b>
FY 03	\$127,767	\$133,000	\$5,233
FY 04	\$145,455	\$140,341	(\$5,114)
FY 05	\$189,177	\$140,341	(\$48,836)

### **Narrative Justification and Impact Statement**

#### **How this Decision Package contributes to agency's strategic plans and activities**

This decision package is directly tied to the Priority of Government Result #2: Improve the quality and productivity of our workforce.

**Performance Measure Detail:**

**Goal(s) to which this change is tied:** Labor and Industries will play a leadership role in developing and maintaining high quality apprenticeship programs in Washington State.

**Statement of Expected Results:**

The requested funding will allow the Apprenticeship program to continue to meet the statutory requirement to provide industrial insurance premiums to 13,000 apprentices during the classroom training of their program.

**Reason for change**

The requested funding enables the apprenticeship program to fulfill their statutory obligation, RCW 51.12.130, of paying industrial insurance premiums for apprentices during classroom training.

**Impact of the change on clients and services**

The apprentices and the training programs will not feel the impact of this budget request as the process for payment of the industrial insurance premium is invisible to them.

**Other impacted programs/divisions/regions**

The supplemental budget request will not impact other programs, divisions, or regions.

**Relationship to capital budget**

None.

**Required changes to existing RCW, WAC, contract or plan**

None.

**Alternatives explored by agency**

None.

**Budget impacts in future biennia**

As the number of apprentices increases, L&I may need additional funds to pay for increased industrial insurance premiums. If so, the Agency will request this funding in a future decision package.

### **Distinction between one-time and on-going costs**

The industrial insurance premiums for the apprentices during their classroom training time will be an on-going cost.

### **Effects of non-funding**

This is a small program of 14.0 FTEs of which eight are Apprenticeship Coordinators. If additional funding is not provided, it will be necessary to eliminate one of the Apprenticeship Coordinators. These positions work with employers and workforce entities to expand the apprenticeship program and support the Governor's recent legislation on apprenticeship utilization. The Governor, Washington State Apprenticeship and Training Council, and Workforce Training Coordinating Board have directed the department to expand the apprenticeship program and training model to employers around the state. Losing one Apprenticeship Coordinator position will result in a decrease of these outreach efforts, which reduces the opportunity for additional apprenticeship programs.

### **Expenditure Calculations and Assumptions**

Calculations are based on difference between budgeted amount and actuals for Fiscal Year 2005 (See Table on Page 2). In Fiscal Year 2005 the budgeted amount was \$140,000 and the actual amount charged was \$189,000, which equals 49,000. Without any data history of growth in the apprenticeship programs statewide, the department is assuming the same growth rate as in Fiscal Year 2005.

	FY 2006	FY 2007	TOTAL Biennium	Biennium 2007-2009	Biennium 2009-2011	TOTAL
<b>FTEs</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	0	0	0	0	0
B - Employee Benefits	0	0	0	0	0	0
C - Personal Service Contracts	0	0	0	0	0	0
E - Goods and Services	0	0	0	0	0	0
G - Travel	0	0	0	0	0	0
J - Capital Outlays	0	0	0	0	0	0
N - Grants & Subsidies	49,000	49,000	98,000	98,000	98,000	294,000
<b>TOTAL Expenditures</b>	<b>49,000</b>	<b>49,000</b>	<b>98,000</b>	<b>98,000</b>	<b>98,000</b>	<b>294,000</b>
<b>Funds:</b>						
001-General Fund	0	0	0	0	0	0
02V-PSEA	0	0	0	0	0	0
095 Electrical	0	0	0	0	0	0
608 Accident Account	42,000	42,000	84,000	84,000	84,000	252,000
609 Medical Aid Account	7,000	7,000	14,000	14,000	14,000	42,000
Other (specify fund code)	0	0	0	0	0	0
<b>TOTAL Funds</b>	<b>49,000</b>	<b>49,000</b>	<b>98,000</b>	<b>98,000</b>	<b>98,000</b>	<b>294,000</b>